

Message Text

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PAGE 01 LUXEMB 00228 300638Z

ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-08 OMB-01 TRSE-00 CIAE-00

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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 5666

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

LIMITED OFFICIAL USE LUXEMBOURG 0228

E. O. 11652: N/A

TAGS: ETRD, LU

SUBJECT: USITC REQUEST FOR INFORMATION ON GOVERNMENT-OWNED
FIRMS IN MARKET ECONOMY COUNTRIES

REF: STATE A-1249

1. LUXEMBOURG IS POSSIBLY THE MOST PURELY MARKET ECONOMY MEMBER
COUNTRY OF THE EUROPEAN COMMUNITY. THE GOL PARTICIPATES AS PART
OR FULL OWNER ONLY IN PUBLIC SERVICE, UTILITY AND TRANSPORTATION
COMPANIES. AS IS TYPICAL IN EUROPE, THE POSTAL, TELEGRAPH AND
TELEPHONE SERVICE IS GOVERNMENT RUN. THE GOL IS A MAJORITY OWNER
(51 PERCENT) OF THE RAILROAD, IN PARTNERSHIP WITH THE FRENCH AND
BELGIAN NATIONAL RAILROADS, BUT ONLY A MINORITY SHAREHOLDER (25.5
PERCENT) IN LUXAIR, THE NATIONAL AIRLINE, WHOSE PRINCIPAL OWNERS
ARE PRIVATE INTERESTS (LOCAL BANKS, STEEL GROUPS AND RADIO LUXEM-
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PAGE 02 LUXEMB 00228 300638Z

BOURG). THE GOL IS AN EQUAL PARTNER WITH A GERMAN UTILITY
COMPANY, RWE, IN A HYDROELECTRIC POWER COMPANY, AND (ON
PAPER) ALSO FOR A PROPOSED NUCLEAR POWER PLANT. THE GOL
HAS MAJORITY SHARES IN THE COUNTRY'S LARGEST ELECTRICITY
DISTRIBUTION AND WATER TREATMENT COMPANIES. THERE IS ALSO
A STATE SAVINGS BANK. THE GOL HAS A VERY MINOR PARTICIPATION
IN RADIO TELEVISION LUXEMBOURG--ITS ROLE IS ACTUALLY ONE MORE

OF SUPERVISION AND CONTROL RATHER THAN OWNERSHIP. THE PRESENT ADMINISTRATION HAS RECENTLY INTRODUCED LEGISLATION TO PARLIAMENT PROPOSING A NATIONAL SOCIETY FOR CREDIT AND INVESTMENT, WHICH WOULD BE IMPOWERED TO LEND MONEY TO PRIVATE FIRMS IN DIFFICULTY. THIS, OBVIOUSLY, COULD LEAD TO PART GOVERNMENT OWNERSHIP OF PRIVATE ENTERPRISES.

2. THE GOL'S PARTICIPATION IN COMPANIES HAS TO DATE BEEN IN AREAS NOT INVOLVED IN INTERNATIONAL TRADE. EVEN THE NEW PROPOSED LAW REFLECTS A POSSIBLE NEED FOR EMERGENCY ASSISTANCE RATHER THAN ANY CHANGE IN THE PREVAILING FREE-MARKET PHILOSOPHY. THE GOL ROLE IN THE ECONOMY IS UNLIKELY TO AFFECT THE COMPETITIVE POSITION OF LOCAL PRIVATELY-OWNED FIRMS OR FOREIGN BUSINESS ENTITIES LOCATED IN LUXEMBOURG. GINN

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